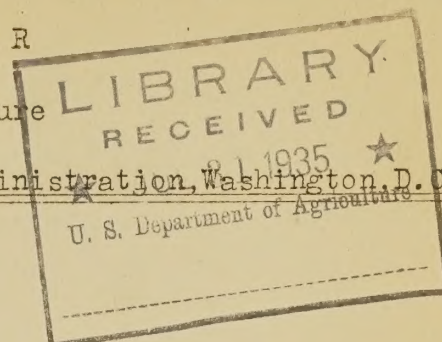


IN THE THIRD YEAR

By M. L. Wilson,
Assistant Secretary of Agriculture

U. S. Department of Agriculture, Agricultural Adjustment Administration, Washington, D. C.

H I G H L I G H T S



THE ROOSEVELT-WALLACE farm policies contemplate better balance between agriculture and the rest of the economic life of the Nation, agricultural conservation which will prevent wastage either by wind or water and maintain fertility for future generations, and the development of economic democracy in agriculture.Pages 1 and 2.

WE MUST have machinery through which farmers can cooperate with their government in programs like the present AAA programs, imposed by the vote of farmers themselves. This democratic system of referenda is a splendid check on autocratic government, and upon poverty and bankruptcy...Page 5.

THE MOST important cause of the farm price collapse was the loss of export markets, hastened by foreign tariffs, and by our unwillingness to accept imports in exchange for our exports.Page 6.

THE GROUPS whose use of the corporate technique has raised the average of non-farm incomes to a point far above the average of farm incomes dislike a program which makes it possible for farmers to act together. They dislike to see a new division of national income.Page 7.

THE DROUGHT has focused our attention on the need for the Ever-Normal Granary mechanism, which would store the produce of fat years to insure adequate supplies during lean years and help keep prices on a level keel.Page 16.

MORE LOCAL administration by farmers must obviously be developed. The farmer of today must think his way through. He must see his field and the fields of his neighbors in his county control associations first as part of a regional agriculture, then as part of a national and international agriculture, and then as part of an economic society that includes both the city and the farm.Page 18.

BBDA
LIB

4180
811

IN THE THIRD YEAR

--O--

Address of M. L. Wilson, Assistant Secretary
of Agriculture, before Gallatin County Farm Bureau,
Bozeman, Montana, June 4, 1935.

Mr. Chairman, members of the Gallatin County Farm Bureau, the Gallatin County Service Club, and friends -- I greatly appreciate your turn-out today. Last month there was a turn-out of farmers numbering more than 4,000, coming from 38 states, which met in Constitution Hall in Washington, and on the south White House lawn. They assembled primarily to express their appreciation for the Federal farm policies, their confidence in Secretary Wallace and Chester Davis. They went to Washington also to inform Congress of their disapproval of any moves threatening the life of the Agricultural Adjustment program. I take it that the spirit of the more than 4,000 farmers who gathered in Washington is also the spirit of you who are assembled here today.

AUG 2 36
You will be most interested today in a report of the farm recovery activities; an appraisal of them, with a look to the future. I shall, therefore, divide my talk into three parts; first, a report of what has been done under the Roosevelt-Wallace agricultural policies; second, a look into the future, and third, more general observations concerning the place of agriculture in the national scheme.

The Roosevelt-Wallace farm policies by and large fall into three categories. The first includes the program for bringing about a balance between agriculture and the rest of the economic life of the nation. This is the adjustment program, whose scope is measured by its inclusion of nearly two-thirds of the productive farms of the nation in the greatest cooperative movement in the world.

The second great policy I shall call agricultural conservation. This is reflected, not only in the Adjustment Act, which is surely a conservation measure, but also in the Soil Conservation Bill which passed the present session of Congress and to a certain extent in creation of the Civilian Conservation Corps. Particularly, the soil conservation policy aims to stop wasteful erosion which is eating away our basic assets of the soil. I shall tell you more of this program a little later. It contemplates that eventually there will be a land use and farming program on every farm in the United States, which will be designed to prevent its wastage, either by water or wind, and to maintain a fertile farm plan for future generations.

The third policy calls for development of economic democracy in agriculture. So in a broad sense, agriculture faces not only the problem of getting a fair share of the national wealth but also the problem of the conservation of the soil and the need for creating a sound and enduring basis for a real rural civilization.

The recent wheat referendum is of very great significance in the evolution of what Mr. Wallace has been calling economic democracy in agriculture.

It is fascinating to review the several great national policies which have come into being for the agriculture of this country. These policies established themselves without much regard for political parties. One by one they became expressions of the current of a developing civilization. First of all, our forefathers began by organizing agriculture in this country on the basis of the individual family farm, rather than as estates, and so most of our farming people now are living on individual farms. Early in our history we determined to become exporters of tobacco and cotton, and then after civilization moved into the rich lands west of the Alleghany Mountains, we gradually developed our policy of exporting wheat, pork and lard. The Lincoln administration gave us two very fundamental things -- the agricultural colleges and the creation of a Federal Department of Agriculture. The Lincoln administration established the principle that agriculture and farm people were to be represented in the President's cabinet. After the Civil War, our policy called for rapid agricultural development. The National government and the States were interested in making two blades of grass grow where one grew before. Education in productive method by the agricultural colleges and, after the passage of the Hatch Act in 1887, the development of experiment stations to apply science to the field of agriculture, both played important parts.

With his instinctive interest in the West, Theodore Roosevelt was responsible for the creation of the Federal Bureau of Reclamation and the United States Forest Service. The Country Life Commission, with Uncle Henry Wallace as chairman, was formed in his administration. The Woodrow Wilson administration contributed the Federal Farm Loan system and the Agricultural Extension Service. Later the Coolidge and Hoover Administrations made their contribution in committing the Federal Government to the promotion of cooperative marketing among farmers. The Federal Farm Board in that administration represented the first attempt by the Federal Government to offer assistance directly to farmers, aside from education and research. Despite its difficulties, the Farm Board must certainly be credited with breaking the way for important things to follow and with demonstrating both the usefulness and the limitations of cooperative marketing as such, besides showing the futility of Government price fixing when unsupported by production control.

Since 1933, we have had the Roosevelt-Wallace policies with their three new contributions to this developing stream of agricultural experience: the principle of balancing production of farm commodities with demand; the principle of agricultural conservation through the new measures, and the beginning of a program for developing economic democracy in agriculture.

I have outlined this broadening stream of national policy on agriculture from generation to generation and administration to administration because I want to emphasize that farm problems characteristically are and long have been primarily problems of economics, not of politics. The AAA has been working with and for farmers without any regard whatever for their political affiliations. We are interested in the economic democracy, building on the foundations that go back to pioneering days, which has been growing with great rapidity in the past

two years. Politics and partisanship are obstacles which should not be permitted to thrust themselves into the path of the farmers' economic progress. The record of the two years of agricultural adjustment is clear and open. It merits close study and honest criticism. Farmers themselves are coming forward with valuable suggestions as to how it may be improved. But if politicians, blind to realities, insist on thrusting the farmers' programs into political arenas, farmers may well be confident of their ability to meet that issue. The decisions of first interest to farmers are economic ones. The important thing is to keep attention centered upon the developing farm program. It is now far enough along so that all of us can begin to see what an institution for maintaining balance between agriculture and industry will look like, and how it will operate.

Very few people realize that in the last hundred years it is estimated there has washed away from the hilly and rolling farm lands of the United States more than a foot of top soil. Some observations have been made in the more level farm lands of Illinois and central Iowa where the natural prairie has been preserved untouched along railroad right-of-ways. These observations resulted in an estimate that in the last 75 years about 8 inches of the level lands were washed away. In almost every county in the eastern third of the United States, farmers can show you hillsides and rolling lands where the productive soil is practically gone. People living on these eroded lands have a very difficult time eking out an existence. In fact, many of these farms were abandoned and would have remained so had not the great depression driven jobless city people into the country until now almost every habitable shack or farmhouse in the United States has a family in it.

The point of view of the Roosevelt-Wallace agricultural conservation policy is that this erosion of the fertile, productive soil must be stopped on the one hand and on the other the families living on the worn-out, washed-away land must be helped to reestablish themselves where there is some productivity and hope for the future. We must develop an agricultural, economic democracy in agriculture, which will give the machinery whereby farmers can cooperate with their government in programs like the present AAA programs, imposed by the vote of the farmers themselves. This democratic system of referenda is a splendid check upon autocratic government, and upon poverty and bankruptcy.

Now I want to report briefly on the progress of these Roosevelt-Wallace farm policies.

And I would like to begin that report by telling you people of Bozeman what you already know that no small measure of the success of the AAA is due to the fact that its Administrator is your fellow citizen, Chester C. Davis. He has brought to his work first-hand experience with the broadening stream of national agricultural policy. Ever since the war, he has worked with the farmers, and helped them in their plans. He knows that the problems of yesterday are not the problems of today; he realizes that the problem of today may not be the problems of tomorrow. That accounts for his interest in a long-range policy, constantly being projected into things ahead, and also in a flexible machinery, capable of doing today's work well and of being adapted swiftly to the requirements of tomorrow.

A review of the events of the past three years quickly shows how changing are problems which we have had to meet. Let us think back a minute to 1932. Most of us have vivid enough memories of that year.

There were backed up on the farms and in the terminal markets - unabsorbed - 400,000,000 bushels of wheat, a carry-over of cotton representing more than a year's production, two to three years' tobacco production, and surpluses of corn, hogs and cattle.

The collapse of farm prices under the weight of these surpluses not only ruined thousands of farmers and menaced the economic independence of the rest, but helped to undermine the stability of American business. The most important cause of this farm price collapse was the loss of export markets, hastened by foreign tariffs, and by our unwillingness to accept imports in exchange for our exports. As I said before, the American farmer for generations has been developing his productive plant on the basis of sales abroad. But while he had sold abroad from the beginning, he had always bought at home. Hence the farmers' loss of export markets did two things; first, it hit his buying power, and second, this was quickly felt in the domestic industrial market where the farmer was accustomed to do his buying.

What happened to the prices of city-made goods as the prices of farm products fell? All farmers know how, as demand dwindled for farm products, you were forced into an unwilling competition with each other for the markets that remained. That competition drove prices progressively down.

Much of industry escaped such punishment. Through its corporate form of organization, centralized industry was able to resist the unbridled forces of competition that operated on agriculture. Farmers, entering the market on an individual family basis, maintained production as prices fell; industrialists cut production and maintained price. The results of these two opposite movements were that, between 1929 and the spring of 1933, there was an approximate drop in price of agricultural commodities of 63 percent and a drop in production of 6 percent, but over in the field of industry, with many products almost the reverse was true. Farm prices were like putty while many other prices had the rigidity of steel.

This was the situation on the farms and in the country, when the Agricultural Adjustment Act was passed in 1933. That Act opened to the farmers of this country an opportunity to participate in an economic democracy. They had been quick to grasp the possibilities of this new form of united effort, and to act in such a way as to build the cooperative farm structure which we have in 1935. The opposition which has been voiced in recent months against their efforts is a measure of their success.

The groups whose use of the corporate technique has raised the average of non-farm incomes to a point far above the average of farm incomes dislike a program which makes it possible for farmers to act together. They dislike to see a new division of national income. Their dislike of the AAA is very vocal. But if the farmers want their program, they can keep it. If they don't want

it, it will fall by the wayside. Unless the farmers want it, it will certainly be pushed out of the picture by those who didn't want the farmers to have it in the first place and would like to see them lose it now. But the results in the wheat referendum indicate that the farmers want to do their own deciding. I can understand why they want to continue their wheat program. The wheat carryover on July 1, 1933 was nearly 400 million bushels. July 1, 1934, it was 290 million bushels. Due largely to drought, it is expected to be around 130 million bushels, or just about normal, on July 1, 1935.

Between March, 1933, and March, 1935, the price of wheat for the country as a whole, rose from 34.5 cents to 85.5 cents a bushel. Farm cash income from wheat was \$195,000,000 in 1932, \$374,000,000 in 1933, and \$390,000,000 in 1934. In Montana, in 1932, 34-cent wheat yielded \$14,831,000. In 1933, 63-cent wheat yielded \$16,805,000. These figures include benefit payments which up to March 31, 1935, had brought wheat farmers of the country \$162,444,856.12, of which \$10,366,854.32 went to farmers of Montana. To farmers in the drought area the benefit payments were a life-saver indeed. Because they were calculated on past production rather than on the yield of the burned out fields of 1934, they brought cash income to homes that would otherwise have been nearly destitute. The crop income insurance feature of the wheat program must have been one of the major considerations in the minds of farmers voting on May 25. The necessity for wheat adjustment is kept squarely in front of American farmers, particularly farmers of this Northwest area which has relied even more than the rest of the country on its export trade, by the fact that the world wheat situation continues to look far from promising for American exports.

Some people have been asking me recently about the imports of wheat that have been coming in during the last few months. From July 1, 1934, through April, 1935, imports of 13,059,000 bushels of wheat came in to this country to replace drought shortages. Of these, 7,035,000 bushels were for feed; 5,549,000 bushels were for milling and human consumption. Much of the latter were durum wheat; their importation is explained by the fact that the drought left us only 7 million bushels of that kind of wheat for our 1934 crop, as against a five year average of 39 million bushels. It should be remembered that all of this wheat paid the regular duty of 42 cents per bushel in the case of wheat for human consumption and 10 percent ad valorem in the case of wheat for feed.

Such are the outstanding facts about wheat. What about the other big farm crops. As for cotton, on August 1, 1933, the carryover was 12,960,000 bales. On August 1, 1934, it was 10,634,000 bales; it is expected to be around 8,500,000 bales on August 1, 1935. In 1934, there were 990,865 cotton contracts in effect. Between March, 1933 and March, 1935, the price of cotton rose from 6.1 cents a pound to 11.5 cents a pound. In 1932 farm income from cotton, lint and seed, was \$464,000,000. In 1933, it was \$862,000,000. In 1934 it was \$839,000,000. Through March 31, 1935, cotton growers received payment from processing taxes of \$224,962,539.09.

Following the inauguration of the AAA program, the Bankhead Act was passed in order to protect cooperators from action by outsiders, in expanding production by levying a tax on cotton produced over and above the farmers' allotted amounts.

This Act also provided for a referendum among growers on the continuance of the measure. When this vote was taken at the end of 1934, out of 2,656,882 eligible voters, 1,521,954 went to the polls, and 89.5 percent of those voting endorsed the cotton program, a total, that is to say, of 9 to 1.

There are two schools of thought in cotton. One school believes that the cotton farmers' income from domestic and foreign sales is the most important consideration. The other school thinks that above all else the cotton farmer should hang onto his export market, even if he has to give his cotton away to do it.

One school makes income supreme; the other volume of production supreme. One idea is that the farmer produces cotton to live; the other is that he lives to produce cotton. The second school is pretty closely allied with one of the most vocal groups now attacking the cotton program. Cotton exporters depend for their profits on volume of goods handled. The more bales of cotton pass through their hands, the better off they are. I'm not sure that they care very much what the price is to the farmer who produces the goods they handle.

The part of the cotton industry that depends upon volume of foreign sales and the part of the textile industry that has been crying out against the cotton processing tax have been working pretty closely together.

I've often wondered how big the processing tax would have to be to do all the things that are promised by the textile groups that want to take it off.

Those groups are telling the farmers that they'd get higher prices without it. They are telling the consumers that they'd have lower prices without it. They are telling their workers that they'd get better wages without it. And very, very privately, they're telling their stockholders that they'd get bigger profits without it. And they're telling all this about a tax that amounts to about 3-1/2 cents in the price of a work shirt. Now we farm folks know all these things can't be done, and we also know of the good that the cotton program has done. This benefit is too great to be cancelled by conflicting arguments.

Tobacco, like wheat and cotton, is one of the commodities that has been hardest hit by the disappearance of our export markets. At the beginning of 1934 there was a surplus of some 750,000,000 pounds of United States tobacco in this country; this surplus was reduced by one third in the course of the year. The average price for all tobacco rose from 6.1 cents a pound in March, 1933, to 9.5 cents a pound in March, 1935. Farm cash income from tobacco was \$107,000,000 in 1932, \$461,000,000 in 1933, and \$702,000,000 in 1934. In their referendum, tobacco farmers voted 9 to 1 for the Kerr-Smith Act supplementing the adjustment program.

The corn-hog program offered the hardest and biggest problem of any of the major commodities. Foreign markets had shrunk beyond recognition; supplies on hand were far too large to be absorbed at prices which would maintain farmers in production. Here too, collaboration among producers brought results. Corn-

hog farmers to the number of 1,143,647 had contracts in operation in 1934. In March, 1933, corn brought 20.6 cents a bushel and hogs \$3.22 a hundredweight. In March, 1935, corn brought 32.7 cents a bushel and hogs \$8.10 a hundredweight. Cash income from corn was \$156,000,000 in 1932, \$194,000,000 in 1933, and \$233,000,000 in 1934; from hogs, it was \$440,000,000 in 1932; \$509,000,000 in 1933, and \$798,000,000 in 1934. Benefit payments, to March 31, 1935, amounted to \$67,472,188.17 on corn and \$149,074,245.89 on hogs. Of this amount, \$434,325.35 went to the 4,302 Montana signers of corn-hog contracts. The AAA referendum on the corn-hog program showed almost 70 percent of the contract signers favoring continuance of the program.

Lack of sufficient agreement among producers of dairy products, among farmers whose milk is made into butter and cheese and farmers whose milk is sold in fluid form, has confined AAA adjustment efforts in that field to licenses in fluid milk sheds. Forty-five such licenses were in operation on April 26 of this year.

In addition to commodity control programs such as I have just described, the AAA has also brought benefits to thousands of producers of fruits, vegetables, and special crops.

The commodities, other than milk, affected by marketing agreements and licenses, were: rice, tobacco, milk, apricots, cherries, peaches, pears, plums, prunes, grapes, walnuts, apples, olives, oranges, grapefruit, gum turpentine and gum rosin, celery, bees, raisins, dates, potatoes, lettuce, peas, cauliflower, strawberries, watermelons, pecans, asparagus.

The conditions under which these crops are grown made adjustment through marketing agreements more practicable than adjustment by commodity control program.

To summarize the progress of the AAA to date:

Almost half of the 6-1/2 million farmers of this country participated in the 2,985,001 contracts in force in 1934. These producers were organized in 4,200 county production control associations, working out, by democratic methods, a better economic life for the farmer.

Farm cash income, including benefit payments, was:

\$4,328,000,000	in 1932
5,051,000,000	in 1933
6,090,000,000	in 1934

The half-billion dollars' worth of benefit payments included in the 1934 income served as crop income insurance in the face of the worst drought this country has known.

As a result, farm purchasing power has been restored in a manner to benefit both farm and city.

It is a remarkable thing, considering how small a relative share of the national income the farmer gets, to realize what a big difference that income makes to the welfare of the country.

In the first place, the welfare of the 25 percent of our people who live on farms is directly dependent on farm income. Then there is the additional 20 percent of people whom we class as rural non-farm, the storekeepers, professional people, local government officials, teachers, and so forth, whose livelihood depends directly on the farmers' capacity to pay. Thus 45 percent of our population is up or down as the farmer is up or down. And that's not the end of it. City workers in such industries as agricultural implements or fertilizer owe their employment directly to continuance of farm orders.

The relative stimulus to retail sales from farm and urban sources during the past few years shows the city effect of farm buying power very clearly.

In 1929 about 57 percent of the income of both farmers and city people went into retail sales, \$6,060,000,000 in the case of farmers and \$43,055,000,000 in the case of city workers. In 1932, they each spent about 50 percent, but farmers' income had shrunk so their expenditures were only \$2,188,000,000 while city workers spent \$23,409,000,000. In 1933, however, while city income continued to decline, and city sales along with it, farmers spent 52.8 percent of an increased income, with \$2,665,000,000 thus going into retail sales. In 1934, with farm income again higher, rural retail sales rose to \$3,195,000,000; the increased well-being which 1933 farm expenditures had brought to the cities was reflected in rising city incomes and city expenditures of \$25,353,000,000.

Now a good part of that city expenditure was for food. Recovery, like depression, moves purchasing power in a spiral.

Farm returns from livestock and livestock products and city payrolls move up and down together with almost mechanical regularity. Farmers who want to see city-workers prosperous, and city workers who want farm recovery, are in the end working for their own interests.

The improved balance between crops and markets which the AAA has brought is leading to an improved balance between city and country welfare. The AAA has brought balance to agriculture. It has also brought unity to farmers.

The economic democracy which the farmers of this country have set up under the AAA is to my mind the biggest, the most satisfactory thing about the whole program.

The organization of farmers to cooperate with each other through the channels of government is a new and important development in our rural life.

The opposition which this movement has stirred up is indeed powerful. But for the most part it comes from a variety of easily identifiable sources. First, it originates with some who like to live behind tariff walls while letting the farmer take the risks of the world market. Then there are a few big processors

who are afraid of the farmers' bargaining power now that they can get together. Some of these processors' spokesmen are working hard to stir up the city consumer to the point where any rise in price will be blamed wholly upon the smaller share going to the farmer, rather than on the larger share going to the handler. The troubled waters thus stirred up are being avidly fished by the type of politician who lives on political prejudice.

Now I tell you that the farmers who want to stand out against this opposition are going to have a fight on their hands in the future. All kinds of tactics are going to be used.

Look at the attacks that are under way already. One batch is based on a solicitude for the farmer which looks mighty strange. This takes the form of a lament against regimentation of the farmer. On the one hand, the farmers' opponents intimate that the Government is telling the farmer nothing - making all its plans in secret and then forcing them on the country. On the other, they complain that the Government is telling the farmer everything, that he doesn't dare plant a seed without a permit from Washington, that he hasn't a word to say about how he's to run his farm.

Some other folks shed crocodile tears over the farmer's loss of his independence through what they call government bribery in the form of benefit payments. They ignore the adjustment feature of the program and are silent about the restoration of pasture and the soil building and erosion preventing crops taking the place of the acres that formerly produced unsalable surpluses.

Another line of attack is to say that since the AAA is not being applied to all of Agriculture we are dividing the farmers against themselves and setting one section against another. Does it strike you as curious that the same people who are saying this are the very people who are opposing the amendments which would enable effective action with regard to certain commodities to which our present adjustment method cannot be adequately applied?

Since the drought, a favorite form of attack on the AAA has been to point to imports which have been coming in during recent months as indication that the AAA has cut into the farmers' domestic market, particularly for grains. The truth is that in an average year this country produces 2-1/2 billion bushels of corn. In the drought year of 1934 our crop was reduced by 1-1/5 billion bushels. Six and 1/2 million bushels of corn were imported in the 8 months from last July to February of this year. No one giving the matter careful thought would believe for a moment that imports of 1/4 of 1 percent of our normal production are going to do anything to the home market. Yet there has been a great noise about a quantity of corn about equal to a teaspoonful in a bushel basket.

When the enemies of the AAA get through being sorry for the farmer, they usually turn around to have a good cry with the consumer. They may know that food prices are well below their pre-depression level, and also below the other items, except rents, for which the consumers' dollar is spent, but these facts do not weigh heavily with the determined opposition.

But I think that consumers are gradually coming to understand that the part of the production which has been reduced is that which normally went abroad and not the portion used for home consumption.

When I talk to audiences who are not very familiar with farm facts, I always tell them that out somewhere in the nation's wheat field is approximately a quarter of an acre of wheat, on the basis of average yields, which is being raised for each city dweller. There is approximately three quarters of an acre of corn which goes to each average consumer largely in the form of pork and beef, and down in the cotton field there is a patch of perhaps an eighth of an acre which produces the cotton fiber used by each individual in the country. Over in the tobacco patches is about a fiftieth of an acre of tobacco plants which supplies the average person's consumption of tobacco.

Now city consumers are beginning to understand that the adjustment program has not touched the one quarter of an acre of wheat out in the wheat field, the three quarters of an acre of corn some place in the corn belt, the eighth of an acre of cotton down in the cotton belt, nor their part of the tobacco patch. These are being raised just as before.

The 40,000,000 acres which were taken out of production of these commodities represented principally that portion of the nation's farm production which formerly went to Europe and for which there are now no buyers.

Now I should like to sketch some of the future problems that face the farmers. I think we are all pretty well agreed that our work to date has forged, in the AAA, a pretty flexible instrument. Not many people, outside of the wilfully misrepresenting groups about which I have just talked, think of the AAA as an instrument of reduction only. It is an instrument of adjustment, and among farmers at least it is so understood. The surpluses of 1933 and the drought of 1934 have taught us all that.

But the balanced agriculture in the society of balanced abundance towards which we are aiming has plenty of problems ahead. The drought has focused our attention on the need for some such mechanism as the Ever-Normal Granary, which would store the produce of fat years to insure adequate supplies during lean years and help keep prices on a level keel. The balance of supplies, which the Ever-Normal Granary is calculated to bring about, must also be accompanied by a balance of prices. Up to now, we have been bending every effort to bring prices to parity. But the problem of how we shall maintain them at parity once that level has been reached, keeping them at a point neither above nor below the level of balanced farm and city buying power is a problem which in some commodities is now coming to the fore.

Then there is the problem of the outsider, the man who, for whatever the reason may be, has been unwilling to sign a production control contract, but who stands to gain perhaps at the expense of the insider. I am not so sure he will gain. But it is nevertheless a problem which is receiving the closest attention. The Kerr-Smith Act applying to tobacco and the Bankhead Cotton Act are largely the result of the pressure from the cooperating groups who asked Congress for

some device that tends to insure that the rewards of cooperation would go to the cooperators.

Another problem of first importance is the problem that was the first with which we had to deal, the problem of exports. What is the future of our export acres? Secretary Wallace has put the situation sharply before us. In 1934 we balanced our international trade budget by taking \$1,186,671,000 of gold from foreign nations. The world's total available monetary gold supply is only \$21,635,000,000 and of that \$8,390,000,000 was in the United States on February 1. The flow of gold to this country is bound to stop some time. Clearly the importation of gold is no way out.

A second way would be to furnish foreign nations the purchasing power necessary to buy our goods through making loans. Our experience of the 1920's is a warning that such a method only defers the day of reckoning.

A third possibility for removing the produce of our export crops is bad weather which might destroy their yields. But any farmer knows how much you can count on the weather. A fourth possibility is to open a channel for our export crops to go out by opening a channel for foreign goods to come in. This is a real possibility, but a possibility that the tariff beneficiaries will fight.

The only other alternative is to take about 50 million acres out of production of the commodities we formerly exported, and work out a system, possibly on the basis of one contract per farm, that would incorporate these acres in a long-term conservation program.

Whatever the fate of our export acres, the need for a general policy with regard to our land use is obvious. The prevention of erosion, the retirement of submarginal land, and the framing of production control contracts to permit of the best farm practices are problems for both our immediate and our future consideration.

If our future contracts are to be so framed, more local administration by the farmers on the spot who know their counties at first hand must obviously be developed. This is to be attempted in the new wheat contract.

I must now bring this survey to a close. In doing so I want to thank the farmers whose efforts have made our progress up to date possible. We have a long way to go. Our efforts during the past three years are only a crude start towards the building of the kind of commonwealth to which we aspire.

The farmer of today must think his way through. He must see his field and the fields of his neighbors in his county control associations first as part of a regional agriculture, then as part of a national and international agriculture, and then as part of an economic society that includes both the city and the farm.

The farmer has chosen the democratic approach to his problems, and I think he means to see that the democratic process is maintained and strengthened as the foundation of our institutions. This democratic process is partly one of

self-education as to the facts, so as to bring fitness to make decisions. It is a spiritual and mental process. The progress of the last few years is a heartening indication that the task which the farmers have assumed, gigantic though it may be, is still not too big for them. I have faith that they will continue to go forward along the path they have chosen for themselves.
